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Alfredo R. Perez

Attorneys for Debtors  
and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re	: Chapter 11 Case No.
LEHMAN BROTHERS HOLDINGS INC., <i>et al.</i> ,	: 08-13555 (JMP)
Debtors.	: (Jointly Administered)
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**NOTICE OF SUPPLEMENT TO LBHI'S MOTION, PURSUANT TO SECTIONS  
105(a) AND 363 OF THE BANKRUPTCY CODE, FOR AUTHORIZATION TO  
FUND A CAPITAL CONTRIBUTION TO WOODLANDS COMMERCIAL BANK**

PLEASE TAKE NOTICE that, on February 6, 2009, Lehman Brothers Holdings Inc. ("LBHI") and its affiliated debtors in the above-referenced chapter 11 cases (together, the "Debtors") filed a Motion, Pursuant to Sections 105(a) and 363 of the Bankruptcy Code for Authorization to Fund a Capital Contribution to Woodlands Commercial Bank (the "Motion").

PLEASE TAKE FURTHER NOTICE that, on February 12, 2009, the Debtors filed the annexed supplement (the "Supplement") to the Motion requesting certain additional authority on behalf of Lehman Commercial Paper Inc., all as more fully described in the Supplement.

PLEASE TAKE FURTHER NOTICE that the hearing on the Motion (as supplemented) will be held on **February 17, 2009 at 10:00 a.m. (Prevailing Eastern Time)** (the "Hearing") before the Honorable James M. Peck, United States Bankruptcy Judge, One Bowling Green, Room 601, New York, New York 10004, and such Hearing may be further adjourned from time to time without further notice other than an announcement at the Hearing.

PLEASE TAKE FURTHER NOTICE that objections and responses, if any, to the Motion (as supplemented) must be in writing, shall conform to the Bankruptcy Rules and the Local Rules for the United States Bankruptcy Court for the Southern District of New York (the "Local Rules"), and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-242 (General Order M-242 and the User's Manual for the Electronic Case Filing System can be found at <http://www.nysb.uscourts.gov>, the official website for the Bankruptcy Court), by registered users of the Bankruptcy Court's case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), WordPerfect or any other Windows-based word processing format, and shall be served in accordance with General Order M-242, upon (i) the Chambers of the Honorable James M. Peck, One Bowling Green, New York, New York 10004, Courtroom 601; (ii) Weil Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Harvey R. Miller, Esq., Alfredo R. Perez, Esq., Lori R. Fife, Esq., and Shai Y. Waisman, Esq.), attorneys for the Debtors; (iii) the U.S. Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Andy Velez-Rivera, Esq., Paul Schwartzberg, Esq., Brian Masumoto, Esq., Linda Riffkin Esq., and Tracy Hope Davis, Esq.); (iv) Milbank, Tweed, Hadley & McCloy LLP, 1 Chase Manhattan Plaza, New York, New York 10005, (Attn: Dennis F. Dunne, Esq., Dennis O'Donnell, Esq., and Evan

Fleck, Esq.), attorneys for the Creditors' Committee; and (v) any person or entity entitled to receive notice of the Motion in these cases, so as to be so filed and received no later than

**February 13, 2009 at 5:00 p.m. (Prevailing Eastern Time).**

Dated: February 12, 2009  
New York, New York

/s/ Alfredo R. Perez

Alfredo R. Perez

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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re	: Chapter 11 Case No.
LEHMAN BROTHERS HOLDINGS INC., <i>et al.</i> ,	: 08-13555 (JMP)
Debtors.	: (Jointly Administered)
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**SUPPLEMENT TO LBHI'S MOTION, PURSUANT TO SECTIONS 105(a)  
AND 363 OF THE BANKRUPTCY CODE, FOR AUTHORIZATION TO FUND  
A CAPITAL CONTRIBUTION TO WOODLANDS COMMERCIAL BANK**

TO THE HONORABLE JAMES M. PECK  
UNITED STATES BANKRUPTCY JUDGE:

Lehman Brothers Holdings Inc. ("LBHI") and its affiliated debtors in the  
above-referenced chapter 11 cases, as debtors and debtors in possession (together, the  
"Debtors" and, collectively with their non-debtor affiliates, "Lehman"), file this  
Supplement and respectfully represent:

**Background**

1. On February 6, 2009, LBHI filed its *Motion, Pursuant to Sections 105(a) and 363 of the Bankruptcy Code, to Fund a Capital Contribution to Woodlands*

*Commercial Bank* (the “Motion”).<sup>1</sup> As explained in greater detail in the Motion, the Bank’s capital level is currently inadequate to continue normal operations under the applicable regulations. As a result, on February 4, 2009, the Bank consented to the issuance of a Cease and Desist Order by the FDIC. The Cease and Desist Order requires (i) that the Bank obtain and maintain sufficient capital to become “adequately capitalized” under applicable regulations, (ii) that the Bank submit a capital plan to the Regulators by no later than February 19, 2009 demonstrating how the Bank will maintain compliance with regulations and (iii) that LBHI provide assurances acceptable to the FDIC of the Bank’s performance of such plan.

2. Unless the Bank complies with the Cease and Desist Order, the Bank’s management and LBHI believe the Regulators will take enforcement action against the Bank, which action will likely result in the appointment of a receiver to conduct a prompt liquidation of the Bank’s assets. In the current marketplace, the resulting “fire sale” of the Bank’s assets will yield little, if any, of the value of such assets that LBHI believes could otherwise be recovered. Thus, by funding the Capital Contribution, LBHI seeks to avoid the appointment of a receiver to preserve the opportunity to realize the value of the Bank’s assets for the benefit of its creditors.

### **Supplemental Relief Requested**

3. As explained in the Motion, in addition to the Capital Contribution, LBHI contemplated that the Bank would improve its capital level through the mutual termination of existing participations in unfunded loan commitments between the Bank

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<sup>1</sup> Capitalized terms not defined herein shall have the meaning ascribed to them in the Motion.

and other subsidiaries of LBHI, including participation agreements with Lehman Commercial Paper Inc. (“LCPI”), a chapter 11 debtor.<sup>2</sup> See Motion ¶¶ 23, 29. Subsequent to the filing of the Motion, LCPI and the Bank agreed in principle upon a protocol pursuant to which LCPI, as “lender of record,” would agree to the Bank’s termination of certain participation agreements involving unfunded or partially unfunded revolving loan and other loan commitments (the “Unfunded Participations”) in exchange for payment by the Bank of a termination fee to LCPI equal to 1% of the notional amount of each terminated Unfunded Participation. The termination of the Unfunded Participations remains subject to negotiations of definitive documentation and the approval of the transaction by the Regulators.<sup>3</sup>

4. By this supplement, LCPI seeks authorization, but not direction, pursuant to section 363(b)(1) of the Bankruptcy Code, to terminate, in its sole discretion and substantially on the terms described above, the Bank’s commitments under the Unfunded Participations. LCPI’s decision to terminate the Bank’s participation in the Unfunded Participations represents a sound exercise of LCPI’s business judgment and should be approved. By agreeing to termination of the Unfunded Participations in exchange for the termination fees, LCPI obtains a sure benefit in the form of the termination fees. As the “lender of record” for the loans to which the Unfunded Participations relate, LCPI bears responsibility to the borrowers. Normally, under its

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<sup>2</sup> Currently, LCPI has 20 fully unfunded loan commitments in which the Bank is a participant aggregating approximately \$586,200,000 in notional amount. In addition, the Bank is a participant on 36 partially funded loans by LCPI with a total unfunded notional amount of \$442,000,000.

<sup>3</sup> The Bank expects to submit promptly an application for the necessary approvals and anticipates expeditious consideration of the application.

participation agreements with the Bank, LCPI would be entitled to benefit from having the Bank fund a portion of the loans that LCPI would otherwise be required to make. However, currently, LCPI may not be in a position to fund a loan when called upon by a borrower to do so and, consequently, LCPI may not be entitled to require the Bank to fund its portion of the loan. In addition, apart from this consideration, because of the risks surrounding inadequacy of the Bank's capital level, LCPI is at risk that the Bank would not fund pursuant to the Unfunded Participations. Indeed, if a receiver for the Bank were appointed, LCPI would likely recover nothing from the Bank under the Unfunded Participations. Accordingly, continuing the participations is of substantially uncertain benefit to LCPI. Thus, the proposed action would be of definite benefit to LCPI increasing its total pool of assets in the amount of the termination fees, which may increase recoveries to LCPI's creditors.

5. Attached hereto as Exhibit A is a revised proposed order and granting the relief requested in the Motion as supplemented herein and a blackline reflecting the changes from the order submitted with the Motion.

#### **Notice**

6. The Debtors have served notice of this Supplement in accordance with the procedures set forth in the order entered on September 22, 2008 governing case management and administrative procedures for these cases [Docket No. 285] on (i) the U.S. Trustee; (ii) the attorneys for the Creditors' Committee; (iii) the Securities and Exchange Commission; (iv) the Internal Revenue Service; (v) the United States Attorney for the Southern District of New York; and (vi) all parties who have requested notice in these chapter 11 cases. LBHI submits that no other or further notice need be provided.

7. No previous request for the relief sought herein has been made by LBHI to this or any other court.

WHEREFORE the Debtors respectfully request that the Court grant the relief requested herein and such other and further relief as it deems just and proper.

Dated: February 12, 2009  
New York, New York

/s/ Alfredo R. Perez  
Alfredo R. Perez

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Attorneys for Debtors  
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**Exhibit A**

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re	:	Chapter 11 Case No.
	:	
LEHMAN BROTHERS HOLDINGS INC., <i>et al.</i> ,	:	08-13555 (JMP)
	:	
Debtors.	:	(Jointly Administered)
	:	
-----X	:	

**ORDER GRANTING LBHI'S MOTION, AS SUPPLEMENTED,  
PURSUANT TO SECTIONS 105(a) AND 363 OF THE  
BANKRUPTCY CODE, FOR AUTHORIZATION TO FUND A  
CAPITAL CONTRIBUTION TO WOODLANDS COMMERCIAL BANK**

Upon the motion, dated February 6, 2009, of Lehman Brothers Holdings Inc. ("LBHI") and its affiliated debtors in the above-referenced chapter 11 cases, as debtors and debtors-in-possession (collectively, the "Debtors" and, together with their non-debtor affiliates, "Lehman"), pursuant to sections 105(a) and 363 of title 11 of the United States Code (the "Bankruptcy Code") and Rule 6004 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") for authorization to fund capital contributions to Woodlands Commercial Bank (the "Bank") of up to \$272 million in exchange for the purchase of a first right of recovery on the Bank's claim against Lehman Brothers Inc. or other parties related to certain municipal securities (the "Capital Contribution"); and upon the supplement, dated February 12, 2009, for authorization of Lehman Commercial Paper Inc. ("LCPI") to terminate, in its sole discretion, certain unfunded loan participation agreements (the "Unfunded Participations") of the Bank (said supplement and motion, collectively, the "Motion"), all as more fully described in the

Motion; and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334 and the Standing Order M-61 Referring to Bankruptcy Judges for the Southern District of New York Any and All Proceedings Under Title 11, dated July 10, 1984 (Ward, Acting C.J.); and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided in accordance with the procedures set forth in the order entered September 22, 2008 governing case management and administrative procedures [Docket No. 285] to (i) the United States Trustee for the Southern District of New York; (ii) the attorneys for the Official Committee of Unsecured Creditors; (iii) the Securities and Exchange Commission; (iv) the Internal Revenue Service; (v) the United States Attorney for the Southern District of New York; and (vi) all parties who have requested notice in these chapter 11 cases, and it appearing that no other or further notice need be provided; and a hearing having been held to consider the relief requested in the Motion; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors, their estates and creditors, and all parties in interest, and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that the Motion is granted; and it is further

ORDERED that, pursuant to sections 105(a) and 363(b)(1) of the Bankruptcy Code, LBHI is authorized, but not required, to fund the Capital Contribution; and it is further

ORDERED that LCPI is authorized, but not required, to terminate the Unfunded Participations on the terms proposed in the Motion; and it is further

ORDERED that the requirements of Bankruptcy Rule 6004(g) are waived and this Order shall be effective immediately upon its entry; and it is further

ORDERED that notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion; and it is further

ORDERED that this Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation and/or interpretation of this Order.

Dated: February \_\_, 2009  
New York, New York

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UNITED STATES BANKRUPTCY JUDGE

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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: **Chapter 11 Case No.**  
: **08-13555 (JMP)**  
: **(Jointly Administered)**  
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**In re**  
**LEHMAN BROTHERS HOLDINGS INC., *et al.*,**  
**Debtors.**

**ORDER GRANTING LBHI'S MOTION, AS SUPPLEMENTED,  
PURSUANT TO SECTIONS 105(a) AND 363 OF THE  
BANKRUPTCY CODE, FOR AUTHORIZATION TO FUND A  
CAPITAL CONTRIBUTION TO WOODLANDS COMMERCIAL BANK**

Upon the motion, dated February ~~—, 2009 (the “Motion”)~~, 6, 2009, of  
Lehman Brothers Holdings Inc. (“LBHI”) and its affiliated debtors in the above-  
referenced chapter 11 cases, as debtors and debtors-in-possession (collectively, the  
“Debtors” and, together with their non-debtor affiliates, “Lehman”), pursuant to sections  
105(a) and 363 of title 11 of the United States Code (the “Bankruptcy Code”) and Rule  
6004 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) for  
authorization to fund capital contributions to Woodlands Commercial Bank (the “Bank”)  
of up to \$272 million in exchange for the purchase of a first right of recovery on the  
Bank’s claim against Lehman Brothers Inc. or other parties related to certain municipal  
securities (the “Capital Contribution”); and upon the supplement, dated February 12,  
2009, for authorization of Lehman Commercial Paper Inc. (“LCPI”) to terminate, in its  
sole discretion, certain unfunded loan participation agreements (the “Unfunded  
Participations”) of the Bank (said supplement and motion, collectively, the “Motion”), all  
as more fully described in the Motion; and the Court having jurisdiction to consider the

Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334 and the Standing Order M-61 Referring to Bankruptcy Judges for the Southern District of New York Any and All Proceedings Under Title 11, dated July 10, 1984 (Ward, Acting C.J.); and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided in accordance with the procedures set forth in the order entered September 22, 2008 governing case management and administrative procedures [Docket No. 285] to (i) the United States Trustee for the Southern District of New York; (ii) the attorneys for the Official Committee of Unsecured Creditors; (iii) the Securities and Exchange Commission; (iv) the Internal Revenue Service; (v) the United States Attorney for the Southern District of New York; and (vi) all parties who have requested notice in these chapter 11 cases, and it appearing that no other or further notice need be provided; and a hearing having been held to consider the relief requested in the Motion; and the Court having found and determined that the relief sought in the Motion is in the best interests of ~~LBHI, its estate~~the Debtors, their estates and creditors, and all parties in interest, and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that the Motion is granted; and it is further

ORDERED that, pursuant to sections 105(a) and 363(b)(1) of the Bankruptcy Code, LBHI is authorized, but not required, to fund the Capital Contribution; and it is further

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Unfunded Participations on the terms proposed in the Motion; and it is further

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and this Order shall be effective immediately upon its entry; and it is further

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good and sufficient notice of such Motion; and it is further

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all matters arising from or related to the implementation and/or interpretation of this  
Order.

Dated: February \_\_, 2009  
New York, New York

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UNITED STATES BANKRUPTCY JUDGE